



Elements of the EU Strategy towards Ukraine

Czech Perspective

Policy Paper

1. Introduction

This policy paper on EU-Ukraine relations aims to put forward suggestions and advice with regard to the EU strategy on Ukraine. This strategy is elaborated on the long-term basis. It tries to incorporate Czech point of view with regards to the EU-Ukraine relations, since Czech experience from transformation as well as unburdened mutual relations do represent the invaluable assets and a solid practical background for such a strategy.

First, leading principles forming the backbone of the respective EU strategy are discussed. Then, they are followed with more detailed policy recommendations in areas of economic policy, the functioning of the state and its institutions political culture, and international relations. They also address social processes of the corruption, migration, and brain drain as well as issues of national identity and mentality.

The main stress is laid down on the practical transmission of transformation experience from other post-communist Central European countries like the Czech Republic or Poland. It is also argued that these countries could and should become the advocates of Ukrainian pro-European orientation and strive.

This paper is based on the following premises:

1. Ukraine should be among the **key foreign policy priorities** of the EU given the country's geopolitical, military strategic importance as well as future potential for co-operation (economic and political).
2. Ukraine plays a crucial role of a **stabilising factor** in the region.

3. The ultimate goal (point of departure) of any strategy towards Ukraine is to **cultivate** Ukrainian economic situation. This cultivation, which can be only a gradual process, would have tremendous impact both internally and externally. It would lay down solid fundamentals for the stabilisation of social structures (development of vivid middle class), which consequently, would be facilitating and creating the social pressure for the proper functioning of the state and its political representation. The external dimension of this cultivation, e.g. transformed Ukraine with the functioning market economy, will result into the ability to withstand the economic pressure and competition on global markets, in which it will be gradually integrated. Given this, Ukraine herself will automatically incline in the direction to the West in political, economic, security and military matters. The potential failure of such a process might lead to social destabilisation, the rise of ethnic tension within the country and possible spillover effect with neighbouring countries.
4. The overall cultivation process is largely **natural process** of its own internal logic, dynamics. It cannot be simplistically managed, directed or socially engineered from the above.
5. It is mainly **Ukraine herself**, who can in large substantially influence this cultivation process. The external actors, EU in particular, should assist with providing incentives for the continuation of reform process, framework for implementing reforms as well as the aid, advice and assistance.
6. The European Union as such should constitute for Ukraine and her citizens a **feasible attractive alternative** in economic, political and social terms. No unnecessary additional burden, barriers and limitations of any sort should not be unilaterally imposed by the EU upon Ukraine (limitation of people's movement through visa regimes, trade restrictions, etc.). The positive perception of attractiveness of pro-European choice by Ukrainian population is often limited by the lack of tangible and visible advantages of European integration, which could be clearly "translated" and explained to ordinary citizens. There is a lack of information campaigns explaining the benefits and achievements of European integration process.
7. On the one hand, Europeans should perceive Ukraine **not as a problem**, but as an **opportunity** and a country, which has a lot to offer. Her potential has not been fully explored yet. Ukraine should be sincerely motivated to become a **modern European state** and as such be able to present herself as an **attractive partner** for the EU, with whom it

pays off to co-operate. Europe should constitute the logical and natural answer to Ukraine's question where it belongs, while taking into consideration her specific geopolitical position within the post-Soviet space.

8. The motivation should stem both internally, expressed by Ukrainian citizens, who would be pushing in respective reform steps and processes, which would reflect their values, desires and aspirations as well as externally.
9. While the EU policy towards Ukraine should **not be the derivation** of the EU relations with Russia, it is necessary that a **balanced overall political framework** for EU relations with both countries should be established and implemented (i.e. triangle structure EU-Russia-Ukraine). EU relations with Russia should not abstract from Ukraine and *vice versa*. Only in this way the interests of Ukraine and Russia will be fully respected and will not be contradicting each other or carried through at the costs of latter one.
10. Ukraine and her citizens should be **anchored in different European structures**, which provide the complex organic background for the further pro-European development.
11. The European Union should try to define the procedural and formal framework as well as timetable, which will take into account Ukrainian expressed desire to become eventually an EU member. Given the current inappropriate level of preparedness to join the EU, these frameworks and timetables should be first elaborated for the association status of Ukraine with the EU or strategic partnership, which might eventually prepare the ground for the full EU membership in a longer time period.

2. General Strategy

The EU strategy towards Ukraine should be based on the following principles:

1. **Conditionality** of provided assistance, which should be well targeted and programmed. The EU should not hesitate to introduce sanctions against Ukrainian politicians, if they abuse their power or violate the cultivation process in Ukraine.
2. **Strict observance** of agreed provisions, rules, restrictions and promises, which cannot be compromised or watered down. The EU should provide regular monitoring of different areas in Ukraine. The means of it could be comparable to EC Annual Report to the candidate states.
3. Preference of **project-based solutions** rather than the provision of general large-scale financial assistance. Concrete know-how and experience obtained from particular projects

might be then applied as well as multiplied. It should serve the purpose of the transmission of best practices to Ukraine.

4. Particular elements of reforms as well as their overall design should be elaborated through **consultations** between Ukrainian decision-makers and experts, on the one hand, and their external counterparts.
5. It should be mainly the **experience of transformation countries** (like Czech Republic, Slovakia, Poland), which are more advanced in reforms process, that is to be used and transferred to Ukraine. Cultural and language affinities, similar recent historical record and the nature of problems faced – all these patterns make the transfer process more comprehensible and in the context of Ukrainian reality.
6. In general, it should become a general pattern that reform steps supported and suggested by international actors would provide for Ukrainian decision-makers a **more attractive and beneficial choice** than its non-observance and preference of own path. In other words, benefits of the implementation of such reform steps should, in financial terms and after a careful costs-and-benefits analysis, outweigh the costs of their non-implementation.

3. Particular elements of the EU strategy towards Ukraine

3.1. Economy

It should be acknowledged that the **functioning market economy** is the key and the departing point for other reform areas. It would provide the potential of spillover effects into other fields such as the functioning of the state, political system, market economy legislation, legal establishment of a vivid middle class, etc. Other problems related to the economy include the non-adequate fiscal policy, the lack of transparency as well as the difference between political statements on economic reforms and their concrete applications, the improper administrative and institutional support for reforms and the lack of own experts.

Transparent and favourable standard business environment (presence of market economy institutions, legislative framework, law enforcement, predictability of legislative and tax rules, etc) of is by far the most important task for both internal and external (EU) actors. Once in place, it will start attract investments (mostly FDI – foreign direct investment) and increase the business confidence in Ukrainian economy. FDI represent a significant source for the future stable economic growth. Their inflow will entail and facilitate among others the improvement of corporate governance, transfer of know how, managerial culture, the production structure, and the variety of employment opportunities. The FDI inflow should be

promoted through a well-developed logical system of incentives (tax exemptions, state subsidies for training, purchasing the land) provided by the state.

Ukrainian economy is penetrated by great **monopolies** (in all branches) linked to narrow number of owners – “oligarchy”. Privatisation was not carried out completely and was controlled by the oligarchy in association with political elite.

The insufficiency of **foreign trade** is perceived as one of the causes of deplorable economic situation in Ukraine. The **export structure** of Ukraine needs be more diversified both in terms of geographical destinations as well as products. The **Ukrainian import** is characterised by the dominance of **consumer goods**, which is symptomatic for the low competitiveness of Ukrainian production even on domestic market. This trend should be reversed in the future.

The main share of Ukrainian exports to EU countries is represented by coal, which is exported to two EU states – Germany and Italy. Ukraine needs to explore trade relations with other countries except of Russia. In terms of the goods structure, Ukrainian exports are still far from being typical for a modern developed economy. These are mainly raw materials, products with low added value, with low degree of processing. Given the decrease of world prices of such products, export revenues also tend to fall. Export revenues should be then transferred and channelled back in Ukrainian economy. The development of modern sectors with high degree of innovations, such as telecommunications, IT, for which Ukraine has a traditional basis and human resources, nowadays mainly involved in the military production, should be given the priority.

The European Union should assist the economic restructuring by **lifting its protectionist measures** against Ukrainian imports, which should include the lowering of existing duties, import quotas as well as other non-duty measures such as anti-dumping rulings. Similarly, the EU should offer Ukraine the possibility to profit from decreased custom duties, if she fulfils respective conditions (like the Copenhagen criteria for candidate countries). As above, decreasing customs will be the way to develop Ukrainian supply of goods. EU should help Ukraine to establish trade relations with more partners in order to avoid Ukraine’s excessive dependence on Russia and on a limited amount of other countries.

This liberalisation of trade regime with Ukraine is not to be dependent on her future **WTO membership**. Contrary, the EU should support Ukrainian efforts to meet WTO membership requirements leading to the entrance into this organisation.

Ukrainian political leadership should be urged to speed up preparations for the WTO membership. This urgency is to be based on principles mentioned at the beginning of this paper (conditionality, strict observance of agreements, pay off effect connected with the compliance).

It should be welcomed that on June 9th Russian and Ukrainian Prime Ministers agreed to use Ukraine as the main transit country for **gas deliveries** to the rest of Europe. Respective agreement on strategic partnership in the development of gas pipelines networks will be soon worked out. It will also take into account the possible participation of leading European gas companies.

In this connection, the European Union should re-evaluate its energy policy aimed at the diversification of energy supplies. The EU should also press both Belarus and Russia to treat Ukraine as an equal partner, avoid discriminatory practices towards Ukraine and respecting basic good practices in trade, e.g. principle of reciprocity, granting the most privileged nation clause and, in particular, to facilitate the process of ratification of Energy Charter by these countries.

Though formally Ukrainian economy has undergone through privatisation process, many monopolies organised around state ministries still do function. They should be exposed to the competition and favourable environment for small and medium enterprises be established (access to loans, capital, transparent tax regime, establishment procedures, enforcement of law, efficient functioning of courts – civil proceedings, etc.). The **economic restructuring** process might prove to be socially painful, e.g. leading to the closure of giant factories and thus causing an increase in social tension. Ukraine should get prepared together with the EU assistance to address this issue.

3.2. Corruption

Corruption is the most significant barrier for the creation of standard functioning business environment. The scale and common acceptance of corruption in Ukrainian society rule out any immediate improvement to be achieved even with potentially large financial amounts. The solution of this problem will require more time, efforts to combat it would need to be of strategic and long-term nature. They will involve:

- The **change of mentality** and attitude towards corruption in such a way that it would make it socially intolerable

This objective can be only achieved with concentrated and well thought off work with the public opinion (like the work of Amnesty International in Central European countries).

- The **change of behaviour** of state actors and public institutions they represent, mainly in police, judiciary, and customs. The prestige of public administration officials employed in these sectors should be gradually improved through such means as, for example, timely paid salaries. However, it should be remembered that the level of corruption is also closely correlated with “objective” reasons like the existence of a weak state (low degree of law enforcement, low level of salaries within the public administration, for detailed discussion see the next point).
- The **change of behaviour** of western enterprises. EU must also survey its commercial subjects and efficiently intervene if these companies are then associated with the corruption practices in Ukraine.

The well-elaborated **twinning program** between Ukrainian and foreign institutions, which will enable the training and transfer of know-how and best practices used elsewhere, is the key method to be used. Twinning programs, allowing foreign experts to work closely for a certain time together with their Ukrainian fellows in Ukraine, should focus on the provision of direct technical assistance (IT systems and equipment) rather than on direct financial assistance, from which the technical equipment could be then purchased. Concrete joint activities could be held in customs and border police offices, which could be equipped with modern communication technologies. Foreign colleagues would then train their Ukrainian counterparts to use them.

It should be stressed here, that it is preferable to establish such twinning programs for officials and public institutions **between Ukraine and Central European countries**, rather than between Ukraine and EU countries, though the administrative capacity of the latter is higher than of the former one. Nevertheless, practical direct experience and familiarity with implementing EU standards and requirements set the comparative advantage in favour of Central Europeans.

To begin with the combat of corruption, it is necessary to make it as an issue to be priority solution, to publicly recognise it as a problem and, accordingly, name it as a social challenge.

3.3 Functioning of the state and its institutions

The corruption issue is the sign of the **state malfunctioning**. Ukrainian state along with its public administration does not meet the standards of a modern state. It does not provide Ukrainian citizens with basic services, which leads to the lack of trust towards the state and identification with it. Ukrainian citizens have not had so many opportunities to learn how the state should eventually function. Carefully designed twinning schemes in key sectors of public administration should restore the confidence and improve its performance. Twinning programs should be implemented in regulatory institutions, which would eventually lead to gradual cultivation of the state performance, transparent rules and in this way to multiplicatory effects in other public administration areas (pattern- and standards-setting process).

An **improved attitude and treatment** of Ukrainian citizens could further on support this process by Central European authorities as well as societies themselves. Ukrainian citizens are often regarded as a social burden and are therefore treated respectively. This leads to the isolation and the inner closure of a significant part of Ukrainians from the social life in a given country. The improper treatment, which differs from the one of the local citizens, is not the best argument to win the confidence into reformed public administration of transformation countries.

3.4. Political culture

The level of political culture remains substantially low. It has been confirmed by recent “plays” with forming the parliamentary majority, appointing the parliamentary speaker, stability of major political parties and blocks.

The international community, the EU member and candidate states in particular, should push for and stress the need to observe democratic principles when addressing Ukrainian leadership.

The low level of political culture also stems from the **poor access** of population to politically unbiased information¹.

Information projects with high added value such as Internet access information for larger segments of society should be considered.

¹ Like timely information on the manipulative existence of several political subjects bearing or using the same name of politicians

3.5. *Brain drain, migration*

Another issue is slowdowns the general process of cultivation is the loss of the most active and best-educated clusters of population. Young and educated Ukrainians seek better living conditions abroad. Though most of them remain connected with their home, their return might be endangered if the domestic situation did not improve. It is similarly important to create **incentives** for this most precious “human capital” to stay in Ukraine, but at the same time it is necessary to acquaint young generation with positive examples and experience from abroad.

It is therefore suggested to **establish fellowship schemes** for young people, who will enable them to study other countries’ achievements, social, economic and institutional development. These schemes will be operating on a specific time basis, after which these fellows will return back home. It is advisable to provide them with working opportunities (mainly in the public sphere), where they could utilise the obtained knowledge. This knowledge should be also verified from the point of view of its applicability in Ukrainian conditions.

Similarly to these fellowship schemes, **students’ exchanges** should be supported. Nevertheless, they should be encouraged by the obligation to return to Ukraine after the completion of studies abroad. It is proposed to extend exchange study programs like **Socrates** also to Ukrainian universities. These programs could function on the **triangle basis**: Ukraine-EU-Central European universities. That would mean that at the same time links with Central European countries were not to be jeopardised.

Likewise, Ukrainian **scientists** should be invited to join and co-operate with their EU and Central European colleagues under the framework of EU scientific and research programs so they would become a part of European networks.

Another solution how to prevent a damaging brain drain is to establish a **network of foundations**, which would offer scholarships for further education and support of the most talented young people in different areas (arts, science, sports) over a given time period. These foundations will be open to contributions made by individuals (also from abroad), companies, public bodies and foreign governments. A similar scheme is successfully functioning in Poland.

Twinning projects between universities as well as NGOs, communes, high schools could also result into the transfer of “European” know-how, values to larger segments of Ukrainian society. It could eventually lead to the better understanding of democratic processes and institutions, which could be reflected in more realistic expectations and demands addressed towards the Ukrainian state.

As far as the **labour migration** is concerned, especially in the direction to Central European countries like the Czech Republic and Slovakia, the efforts should be undertaken by these countries so as to improve the living conditions of migrant workers, which some of them are staying there illegally. In general, their stay should be **legalised** (like France is occasionally doing) and they should be offered to possibility to stay there even after the accession of these countries to the EU. Another option is to introduce **official quotas** for the acceptance of Ukrainian immigrant workers.

Better treatment of Ukrainian migrant workers mainly by public institutions and societies in Central European countries in general would make the benefits of European integration more attractive and tangible for them, which, given their contacts with relatives staying back in Ukraine, might have positive multiplicative transmission effects². Thus, they should see more positive sides of the EU membership than negatives. Simultaneously, **media** in both the EU and Central Europe should focus more of their attention on **positive achievements** in Ukraine, which might still be of a minor nature, rather than to continue to cover this country as well as migrant workers' communities with predominantly negative stories (growing crime, mafia, prostitution, etc.).

3.6. Ukraine: Gate to Europe

The EU has often expressed worries about immigration flows from Asia, which are using Ukraine as a transit country³. The EU, on the first hand, does not intend to launch another Iron Curtain on its future border, but, on the other hand, it tries to prevent the intensive influx of refugees and immigrants. Ukraine, which possesses no more than one refugee camp on the border with Poland, has no capacity and the goodwill to stem the immigration stream even before immigrants enter the country and let them to freely abandon it.

Proclamations on cross-border co-operation with Ukraine are of a low efficiency. The EU must also provide **technical assistance** in a form of equipment and respective skills teaching to the Ukrainian authorities. It must be carried out through targeted investments and assistance by **EU experts** both on EU–Ukraine border and other Ukrainian borders.

² The similarity between Ukrainians in Central European countries and Turks in Western Europe can be figured out, especially when comparing the aspirations of both countries to become EU members. It should be further noted and analysed how the Turkey's perspective to become the EU member has been shaped by the fact of the existence of Turkish Diaspora in EU countries (e.g. respective correlation between those two phenomenon to be determined).

³ Immigration of Ukrainian people to EU (Portugal in particular) represents another significant issue.

Aggravation of the visa regime is of no use as well as the pressure on Ukraine to aggravate its regime vis-à-vis third states.

3.7. Identity and mentality issues

One of the main barriers for a faster consolidation of democracy and market economy in Ukraine is the mentality inherited from the communist Soviet times. One can install democratic institutions or create legal framework for functioning of market economy almost immediately, but it is the people's mentality, whose change is a generation issue. Quite often the inherited type of mentality remains in the sharp conflict with the new democratic settings. The assumption, quite widespread among political elites in the West and the EU, in particular, that the installing of institutional framework would solve all major problems is doubtful. The culture and mentality have their inertia and sole change of legislation will not be sufficient.

It is therefore suggested that in the EU countries **more research on the mentality issues** of Ukrainian society focused on its evolution, roots and main determinants be conducted. Its understanding is crucial for the programming of EU assistance and aid, so these are used in the most efficient way and do meet their ends.

In the future enlarged EU those would be **Central European countries**, who could contribute to make the EU decision-making process and the determination of policy towards Ukraine more realistic and balanced taking into account the mentality and respective behaviour of Ukrainian beneficiaries and counterparts.

The issue of **national identity** is conceptually different one. Its process of establishing is rather autonomous and natural one. It cannot be socially constructed. Nevertheless, solid basis pointing out to factors of **national pride** should be found and described. National identity would be thus the function of the country's success in economic and political transformation, growing international recognition and importance, sports and scientific achievements, etc.

3.8. Lack of respective interest and knowledge on the side of the West

From the Central European perspective it is obvious that Ukraine does not represent the main focus of EU countries, despite the fact that Ukraine will be one of the most important future neighbour of the EU. The secondary importance of Ukraine is caused, among others, by the low level of knowledge about Ukrainian affairs and interest in them in the EU countries. The result of this is the incomprehension of the situation, development, as well as mentality of

people in Ukraine⁴. Eventually, this led to the fact that European countries are not sufficiently able to respond to the needs of Ukraine. The inefficient use of TACIS programs provides the respective evidence.

One of the ways of raising awareness of Ukraine in the EU countries should be respective emphasis on **cultural and university programs in EU countries**, which would facilitate, for example, the inclusion of Ukrainian affairs into university curricula, European cities of culture program, etc. Such an approach could eventually result into the **increased interest** in Ukraine in the EU countries. Thus, Ukrainians could appreciate it and feel that their country is attractive for the West.

3.9. Foreign Policy of Ukraine

It is often argued that foreign policy has become a head stone of the Ukrainian independence. Foreign policy is almost the only policy area, where Ukraine could relatively smoothly record some immediate and tangible success. She is active in regional organisations⁵, international missions (common battalions with Poland, Lithuania) and cross border co-operation.

Recently, Ukraine has approached the NATO with the membership request, which she is seeking to obtain in the mid-term period. This rapprochement towards the NATO is, nevertheless, still conditioned by the quality of NATO-Russia relations.

The EU should support Ukraine in enhancing her foreign policy engagements. The existence of independent and externally active Ukraine is a necessity for the European security. The emphasis should be put on activities, which will balance the influence of Russia in the post-soviet geopolitical area. The EU should back up Ukraine's attempts to approach the NATO. Similarly, the EU should stimulate the improvement of relations especially with Poland on the bases of regional (cross-border) co-operation.

3.10. Czech contribution to the improvement of the situation in Ukraine

The Czech Republic could serve as an **independent facilitator** within the enlarged EU, who, unlike Poland and Hungary, has relations with Ukraine not remarked by the past. On the

⁴ Typical example of this incomprehension might be EU attitude towards problems concerning Poland-Ukrainian border due to the lack of awareness of historical and ethnical development in the region.

⁵ GUAM, Baltic Council, Black Sea Economic Co-operation



contrary, Czech Republic disposes with good renom  in Ukraine⁶. Czech Republic's contribution could be based on the good knowledge of the situation in Ukraine as well as on good contacts and relations with Ukrainian authorities and social groups existing on different levels. Czech recommendations should be used as the solid background for the EU considerations addressing Ukraine.

Therefore, the EU policy-making with regard to Ukraine should attempt to fully utilise and take into account the potential (knowledge, contacts, common historical experience) of Central European countries.

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⁶ For example, due to the good reputation of Czech products exported to the former Soviet Union. Good governance of Carpathian Ukraine by the Czech officials between the wars has also not yet been forgotten